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SUBJECT: US DUMPING DUTIES FORCE INDIAN SHRIMP EXPORTERS TO
ALTERNATE MARKETS

REF: (A) 06 CHENNAI 1497 (B) 05 CHENNAI 0121 (C) 04 CHENNAI 01306
(D) 04 CHENNAI 0944

11. (SBU) Summary: Elias Sait, Secretary General of the Seafood Exporters Association of India (SEAI), contends that the imposition of U.S. anti-dumping duties on Indian shrimp and subsequent U.S. Customs and Border Protection (CBP) bond requirements have reduced the number of seafood exporters to the U.S. Limited access to the U.S. market has depressed producer prices (while consumer prices in India have remained steady) and impacted a large number of Indian shrimp fishers and farmers. In order to cover lost sales and stay in business, small Indian shrimp operations are increasingly focused on alternate markets. In 2006, Europe and Japan overtook the United States as the principal markets for Indian shrimp exporters. Yet, SEAI remains hopeful that in due time the customs bond requirement and eventually the dumping duties will be removed by the U.S. End Summary

DROP IN SHRIMP EXPORTS, SELLERS CLOSE SHOP

12. (SBU) In a meeting with us to review the impact of the customs bond and anti-dumping duty requirements on Indian shrimp exporters, Sait emphasized that shrimp exports to the U.S. have plummeted. He explained that the countervailing duty (CVD) has affected shrimp prices and diminished producer prices while consumer prices have more or less remained steady. The CVD, combined with the subsequent bond requirement, has "really killed" about 60 to 70 percent of small to medium exporters who lack the liquidity to absorb the additional cost. According to SEAI, the number of company exporters fell from 130 in 2004, just before the dumping duties were introduced, to 66 in 2006. Particularly hard hit are the small exporting companies who, lacking sufficient liquid assets, found it difficult to comply with the additional bond requirement. Forced to choose between recovering losses or closing shop, the small to medium exporters started to concentrate on alternate markets.

... AND WORKERS LOSE JOBS

13. (SBU) According to SEAI, which represents the majority of seafood exporters in India, the losses to shrimp exporters dampened producer prices and thereby impacted approximately two million Indian workers

involved in shrimp capture, farming, and processing. Neither the national or state governments have provided any aid to those affected, Sait asserted. However, in the past, fisheries experts have claimed that a drop in shrimp catch sizes along with stagnant productivity at farms ensured price stability (ref B).

SO EXPORTERS EXTEND TO OTHER MARKETS

14. (SBU) Europe and Japan have now emerged as the largest export markets for Indian shrimp. Europe's share of Indian shrimp exports has increased from 20 percent in 2004 to 33 percent in 2006, while Japan's share increased from 18 percent to 23 percent during the same period. In comparison, the U.S. share of Indian seafood exports (including shrimp and other products) fell from 30 percent in 2004 to 22 percent in 2006. Sait said that the rapid expansion into the European and Japanese markets is particularly remarkable given their strict phytosanitary (SPS) requirements. The Marine Products Export Development Agency (MPEDA), an agency under the Government of India's Ministry of Commerce and Industry, has helped facilitate small exporters' entry into the European and Japanese markets by providing soft loans and training to undertake hazard analysis and pathogen reduction measures.

15. (SBU) COMMENT: SEASI remains hopeful that at least the bonding issue will be resolved following the favorable December 15, 2006 ruling by the U.S. Court of International Trade. Meanwhile, Indian shrimp exporters who have settled with U.S. shrimpers or have been forced to close down due to the dumping duties and bond requirements see little reason to celebrate.

16. Embassy New Delhi cleared this cable.

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